

MAGYAR POSTA
ANNUAL REPORT

2015



Magyar Posta

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FOREWORD BY THE CHIEF EXECUTIVE OFFICER



2015 was a year of digital renewal for Magyar Posta Zrt. when, building on the results of numerous developments commenced in previous periods, new perspectives opened up for postal services. For years Magyar Posta Zrt. has sought to retain its market positions by providing quality services in the fully liberalised market at the same time as allowing customers access to its services anywhere and at any time in accordance with today's requirements of convenience and excellence.

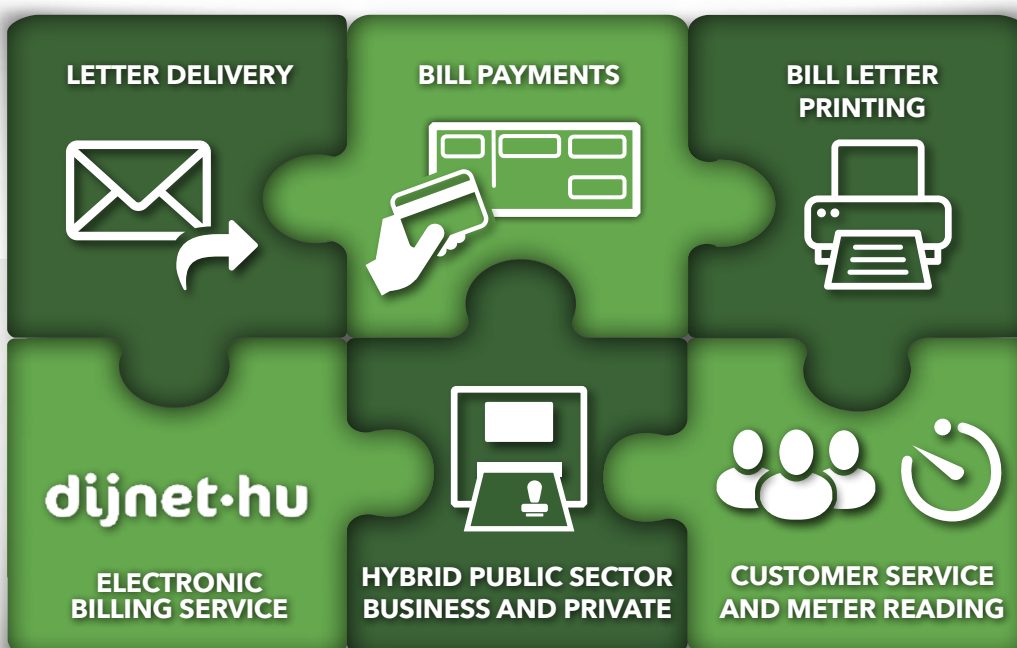
In 2015 Magyar Posta completed a number of developments intended **to extend when and where the physical network can be accessed, to increase automation and to integrate both digital and physical channels.** These developments were a resounding success with customers and contributed to Magyar Posta retaining its market position again in **2015** and closing **a highly successful, financially profitable year.**

The Company continued its innovations based on its digital strategy by introducing new imaginative solutions in 2015. As a result, customers now have access to:

- **Magyar Posta's new-look website** with an up-to-date and user friendly structure,
- **a mobile application with additional new functions** offering travel insurance, a personal loan calculator, international postage calculator, more filters, and an English language version,
- **modernised bill payment** using a network of electronic payment methods and bill payment terminals,
- **bill payment by bank card,**
- **parcel collection by bank card** and
- **online newspaper subscription** and **photo book orders** through the Posta Webshop.

The Company achieved the most significant breakthrough by the complex development of its postal financial and letter services, establishing a convertible product range that can be accessed through both physical and digital channels for 2015. This provides a comprehensive service package covering all phases from **printing to customer service** for key customers.

In 2015 Magyar Posta **modernised its postal financial services.** As an alternative to what used to be the usual means of settling bills, i.e. in cash



SERVICE
PORTFOLIO
**CREATING REAL
VALUE FOR
MAGYAR
POSTA'S
CUSTOMERS**



PARCEL LOGISTICS INNOVATIONS AND THE REPLACEMENT OF POS TERMINALS WERE HIGHLY IMPORTANT POSTAL DEVELOPMENTS



using yellow and white postal payment forms commonly called cheques, several **electronic payment methods have been set up**. Now **customers** have the additional option of **paying their cheques using a mobile platform or bill payment terminals by bank card** besides the traditional way of paying at postal outlets. By the end of 2015, the replacement of all POS terminals with equipment enabling bill payments by bank card, cash withdrawal and mobile phone top-ups was largely completed, which allows **people living in rural areas to pay bills conveniently by bank card**. This also means that the public can now arrange their everyday financial affairs at post offices with a purchase transaction that is much less costly than the former cash withdrawal method.

Thanks to its strategic partnerships, **Magyar Posta transformed and expanded its financial services portfolio**, allowing customers not only to take out **insurance** but also to arrange their money matters at post offices. **Deposit and current accounts** can be opened on favourable conditions and savings handled safely by modern means. In the summer last year the Company entered the personal loan market with the intermediated **Posta Personal Loan** product. Magyar Posta's online and mobile application **Personal Loan Calculator** helps customers plan the repayments of the loan they wish to take out. **More and more private customers are also using Magyar Posta's investment services** (securities accounts,

government bonds, investment fund units). Of the 2015 savings **portfolio**, which was at an **all-time record** level, **40,000 customers had securities accounts managed by the investment company Magyar Posta Befektetési Zrt.**

Magyar Posta's new style website ("posta.hu") has **new functions** for the convenience of users, intended to make using the services simpler. The **"My Posta"** online interface, where customers can arrange their personal postal affairs, was also given a new look. Magyar Posta's **mobile application introduced in 2014 not only had functions added in 2015, but can now be accessed on all three platforms (iOS, Android and Windows) and in English as well.**

The Company also had major successes in its traditional markets. Magyar Posta's **growth in the parcel market** last year **was faster than the domestic average**, and **the Company** delivered roughly **15.7 million parcels** to the door. **The parcel point network serves customers at almost 3,000 locations and many parcel points** are accessible 24 hours a day. In addition to renewing electronic notifications and tracking, payment by



THE COMPANY'S SERVICES RECEIVED
RECOGNITION FROM THE TRADE ORGANISATION
REPRESENTING THE WORLD'S 24 LEADING
NATIONAL POSTAL OPERATORS

has become more characteristic of Magyar Posta's image than it used to be due to the continuous improvements. **Magyar Posta is seen by its customers as being present everywhere, trustworthy, professional, problem-solving, modern and up-to-date. Recognition of Magyar Posta's outstanding results** came not only from customers but also at **an international level** as in October 2015 the Office of Exchange won the highest accolade for centres dealing with international mail, the **IPC* Certificate of Excellence**. Magyar Posta achieved an equally high level of recognition in the online public vote in PostEurop's** competition for member countries to find **the best postage stamp**. Furthermore, the Company's human resources unit won the international standard for people management Investors in People for the fourth occasion in 2015, and its Key Person Programme was awarded the **Mentor Oscar** in acknowledgement of the accomplishments of the mentoring scheme and its method.

*Zsolt Szarka
Chairman and CEO*

bank card upon delivery was made possible for the vast majority of e-commerce parcels in 2015. The network of **parcel terminals** continued to grow and by the end of 2015 parcels transported by Magyar Posta could be collected from **over 100 Coop Points**.

In order to serve customers efficiently and cater for internal service needs at a high standard, **the vehicle fleet was further modernised** in 2015. At the same time, electric vehicles were also tested bearing in mind environmental awareness.

One outcome of the modernisation of the fleet, which has seen 600 vehicles with very high mileage replaced since 2013, is that the **average age of the vehicles has dropped from 10 to 8 years old**.

Customer feedback and the results achieved are clear: surveys show that a capacity for renewal

OUR PREMIUM QUALITY EXPRESS MAIL
SERVICES WERE ACKNOWLEDGED BY GOLD
LEVEL PERFORMANCE AWARD



INTERNATIONAL TRENDS AND DOMESTIC MARKET CHANGES IN THE POSTAL SECTOR



No major change occurred in international trends* over the last year. The revenue of undertakings active in the postal sector rose by 2.8% on average.

Four main tendencies continue to dominate:

- 1. shrinking use of traditional, purely paper-based services** such as letters and postal financial services due to the spread of electronisation. Most operators face this challenge and are open to electronisation;
- 2. stiffer competition**, especially in parcel service solutions;
- 3. postal operators entering into new, related areas or increasing their existing markets through acquisitions** even abroad;
- 4. dynamic growth of online commerce**, the main driving force of expansion in the parcel logistics market.

*Source: IPC Global Postal Industry Report 2015 (processing 2014 figures for 45 postal operators)

Most of the sector's revenues, some 45% over the last year, were generated by letter mail and related convenience services. As the crisis passed, the pace of the decline in mail volumes slowed down, mitigating from 4.5% in 2013 to 3.9% in 2014. Thanks to a modified pricing strategy, revenues from letter products gradually began to grow. Mixed solutions, **hybrid and inverse hybrid services**, where the letter has a different format for the sender and the addressee, one being paper-based and the other electronic, are becoming increasingly **widespread**.

The stagnation of income from traditional services is counterbalanced almost everywhere by the **expanding parcel business**. Although stronger competition caused the global rate of revenue growth to slow from 11.2% in 2013 to 6.7% in 2014, the volume of parcels steadily increased and indeed the rate accelerated from 5.6% in 2013 to 6.3% in 2014. Overall, **this sector generated 22%**



of revenues in the postal industry. The key driver of the market remains the expansion of e-commerce (on average 6% of all trade) and this trend is likely to continue in the future.

The experience of recent years shows that postal operators serving diversified, growing markets are the most successful. One of the most common ways of diversifying postal activities is to acquire a venture that is operating in the target market. There have been more than 150 acquisitions in the sector since 2009, 40% of which have been in the

parcel logistics or logistics segments, while 45% affected foreign companies. The success of this strategy is demonstrated by the fact the **earnings of diversified posts grow seven times faster on average than those of operators focusing on letter mail.**

The most important market event in Hungary in 2015 occurred in the letter-mail market. **A new participant, City Mail, was granted a licence to deliver ordinary letter mail in Hungary.** This was not an unexpected event for Magyar Posta.

MAIN INDICATORS OF THE PROSPERITY OF POSTAL OPERATORS IN 2015 IN INTERNATIONAL BUSINESS



AVERAGE INCREASE
IN POSTAL OPERATORS'
REVENUE
INTERNATIONALLY

27%

AVERAGE GROWTH
RATE OF DIVERSIFIED
POSTS SEVEN TIMES
FASTER THAN
TRADITIONAL
POSTS:



SHARE OF PARCEL
LOGISTICS IN TOTAL
REVENUE CONTINUOUSLY
INCREASING:

22%



SHARE OF
LETTER MAIL IN TOTAL
REVENUE CONTINUOUSLY
DECREASING:

45%



SHARE
OF ONLINE
MARKET
IN COMMERCE
CONTINUOUSLY
INCREASING:

6%



The Company has been prepared for competition since the start of the full liberalisation of the postal market.

The most significant event in the postal parcel market, where there has long been competition, was **the appearance of parcel terminals in Hungary**. The growth in e-commerce is unceasing and there is fierce competition among the companies dominating the largest part of the market to obtain the new volumes arising from this. Rival firms launch new services specifically tailored to customers susceptible to online commerce

* Source: Report on the activity of the MNB (Central Bank) for the first quarter of 2016, page 23

such as same-day delivery especially around major holidays.

The dominant trend in the Hungarian financial market is the increased use of cash (the monthly average cash in circulation rose from HUF 2,650 billion at the end of 2013 to HUF 4,300 billion by the end of 2015*). The unfavourable interest rate environment does not encourage the public to purchase bank savings products. Due to the continuing fall in interest rates, private savings flowed into financial instruments offering a higher yield such as government bonds. E-commerce has a strong influence in this area as well because its increasing share results in **more purchasers using credit and debit cards to buy online**.



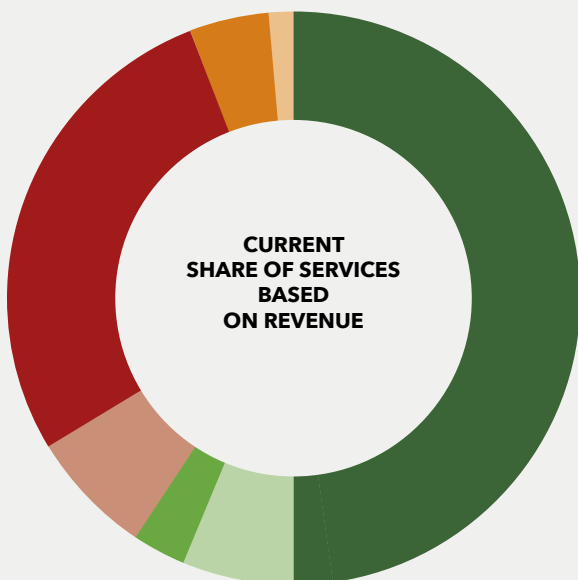
SERVICES OFFERED BY MAGYAR POSTA



Magyar Posta has fashioned and renewed its services in keeping with the competitive environment, changes in consumption patterns and customer-generated expectations. The Company's 2015 revenue grew by 1.16% year-on-year and at the same time there was a slight shift in the division of revenue between products with the share of logistics, letters, retail activity and newspapers increasing within the portfolio.

MAGYAR POSTA ACHIEVED A PROFIT AGAIN IN 2015. GROWTH IN REVENUE COMPARED TO 2014:

 **+1.16%**



- LETTER PRODUCTS
- NEWSPAPER PRODUCTS
- RETAIL
- LOGISTICS PRODUCTS
- POSTAL FINANCIAL SERVICES
- FINANCIAL SERVICES
- OTHER

LETTER-MAIL SERVICES - TRADITION AND RENEWAL

In the increasingly fast world, postal habits develop in parallel with lifestyle trends. Convenience and online solutions are at the forefront for both the sender and the addressee. Magyar Posta seeks to fully serve the needs of customers in this new environment as well, thus more channels to access services were made available in 2015, and some online convenience services can now be ordered from home.

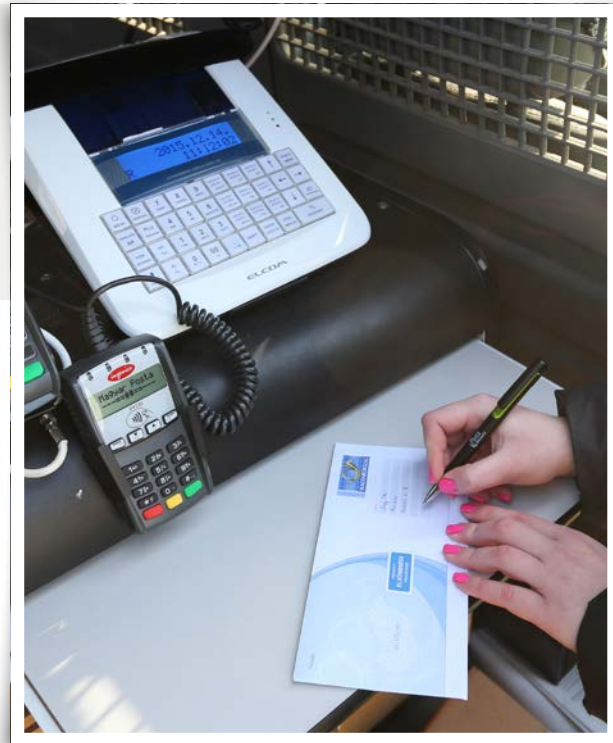
In 2015 changes in the law affecting banks and financial institutions such as the Act on consumer loan contracts imposed obligations on operators to inform the public by letter. Magyar Posta responded to the increased volume swiftly and effectively, providing in due time both the traditional advice-of-delivery forms and the human capacities carrying out quality service to satisfy the higher demand on both the acceptance and delivery sides. The majority of financial institutions took advantage of the Company's **Electronic Advice of Delivery** service. Here, too, acceptance- and delivery-side capacities to cope with the increased demand were made available in good time. Magyar Posta digitally processed the data of letters posted with the Electronic Advice of Delivery additional service using a suitable level of security and arranged them in a database for the user clientele.

With a view to bolstering traditional letter-mail services, in 2015 Magyar Posta further expanded the Prepaid product family for private and SME customers. A medium-sized registered **padded prepaid envelope** without value indication was introduced to protect sensitive contents. As a result of updating and expanding the product range, the turnover of items without value indication in this product family increased by 10% in 2015.

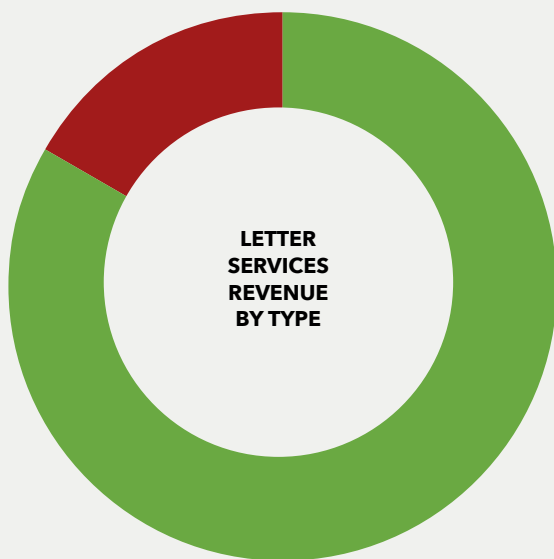
ORDINARY MAIL STILL
ACCOUNTS FOR ABOUT
TWO THIRDS OF
THE REVENUE FROM BASIC
DOMESTIC LETTER SERVICES

The Company's revenue from letter-mail activities in 2015 was up 1.2% year-on-year. A significant part originates from domestic letter-mail services and 12% from international outbound letter services.

Similarly to previous years, business mailings largely shaped the addressed letter-mail market. Customers increasingly demand lower postage fees to reduce costs and for this reason alternative solutions gained strength in 2015. One-off events periodically mitigated the long-term decline



SPEED AND MODERNITY IN
LETTER SERVICES IN EVERY
COMMUNITY IN HUNGARY



- REVENUE FROM DOMESTIC LETTER SERVICES
- REVENUE FROM INTERNATIONAL LETTER SERVICES

in volumes in the letter-mail market and, as a consequence of these, addressed mail revenue in 2015 was 2% higher than in 2014.

Ordinary mail still accounts for about two thirds of the revenue from the basic domestic letter services. However, the same trends were evident in letter-mail figures over recent years as were experienced in international mail. Products with value-added services came to the fore in dispatched letter mail, which indicates the shift among the Company's customers towards quality services.

The acceptance and delivery of official documents is performed by the Company as the designated universal service provider. The revenue from letter services in 2015 marginally exceeded the turnover of the previous year.

Outbound international mail (international letter services and international complex services) at slightly over 12% of the letter revenue grew by 4.9% largely because of the dynamic rise in e-commerce.

ELECTRONIC, NON-TRADITIONAL SERVICES - MAGYAR POSTA, MORE THAN A POST OFFICE

Administrative affairs - Agora Points

In the framework of a project backed by European Union funds, the Company has set up **administrative customer service points** in forty small communities. At the service points located in these places, touch screen terminals (kiosks) make it possible **to arrange certain administrative and official affairs** electronically.

Residents and businesses in these communities can obtain information about arranging affairs, in some cases start administrative procedures and use e-public administration services online at postal outlets.

In addition, the development of the **Postal Agora mobile application allows users access to the information and services at Agora Points** opened in 2014 **irrespective of the users' administrative location.**



In October 2015, at the electronic administrative points (Agora points) where customers can arrange their official affairs in the forty disadvantaged communities, Magyar Posta introduced the **Register of Instructions service**, which records the instructions of individuals about e-administration and releases them to authorised persons. The purpose of the service is to enable individuals - and later large organisations - to give instructions in particular with regard to means of identification and contact, as well as to the use of other electronic services.

Certified electronic correspondence for public administration

A priority strategic goal of Magyar Posta as the universal postal service provider is to support the digitisation of public administration. To this end, the Company introduced new services in addition to the administrative customer service points in 2015. In the framework of the Hybrid Delivery and Conversion service, the production of mail items for the target group began at the **Postal Centre for Administrative Correspondence** in 2015.

Digitisation

Magyar Posta has provided its letter-mail and document digitisation service in the Postal Digitisation Centre since 2015. At present the Centre primarily serves business customers but plans to extend its activity to cover private customers and the SME sector as well in the long term. The digitisation process is documented and

THE AGORA PROGRAMME'S ADMINISTRATIVE SERVICES PROVIDE INVALUABLE HELP TO PEOPLE LIVING IN THE LEAST DEVELOPED COMMUNITIES

THE POSTAL DIGITISATION CENTRE
CURRENTLY DIGITISES APPROXIMATELY

4.5 million pages

PER YEAR

can be controlled in every work phase and complies with strict requirements laid down by law. Thus it has ISO 9001, ISO 14001, ISO 27001, closed process and Hunguard certificates. In line with the internal information security regulations and the requirements of existing customers, including financial institutions and insurance partners, mail items are handled in separate rooms for each company.

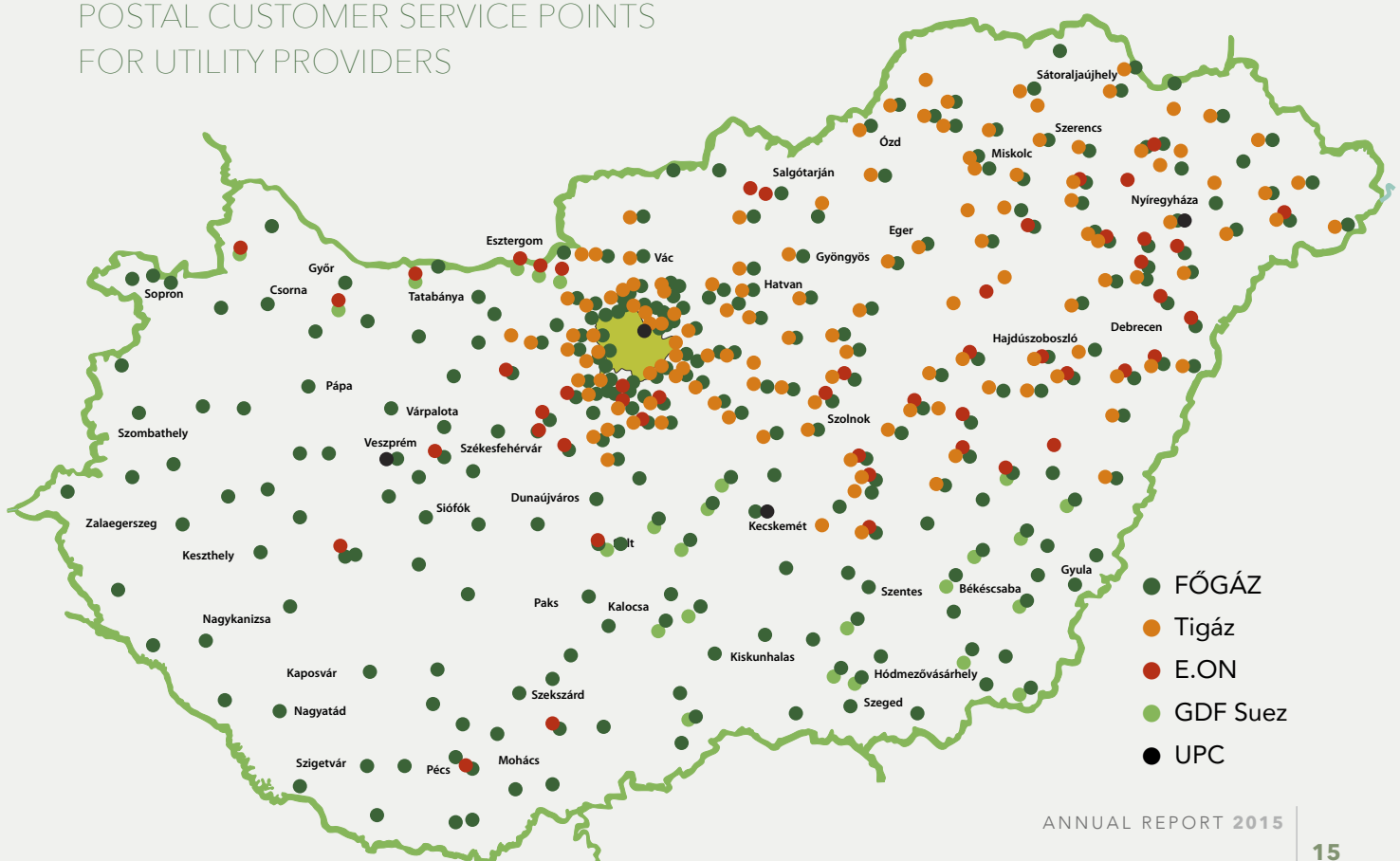
Utilities - Customer Service

The number of customer service points for utility providers at post offices grew in 2015. In 2014



the Company carried out branch office customer services duties for the gas companies TIGÁZ Zrt. and FŐGÁZ Zrt., and dealt with customer complaints for E.ON Hungária and GDF SUEZ Zrt. Utility related affairs were handled at 207 postal outlets across Hungary in 2014.

POSTAL CUSTOMER SERVICE POINTS FOR UTILITY PROVIDERS





MAGYAR POSTA IN COOPERATION WITH THE NATIONAL UTILITY PROVIDER OPENED THE FIRST CUSTOMER SERVICE OFFICE IN PÉCS IN 2014 SINCE THEN, THE COMPANY HAS OPENED SEVERAL HUNDRED OTHER SIMILAR SERVICE POINTS NATIONWIDE

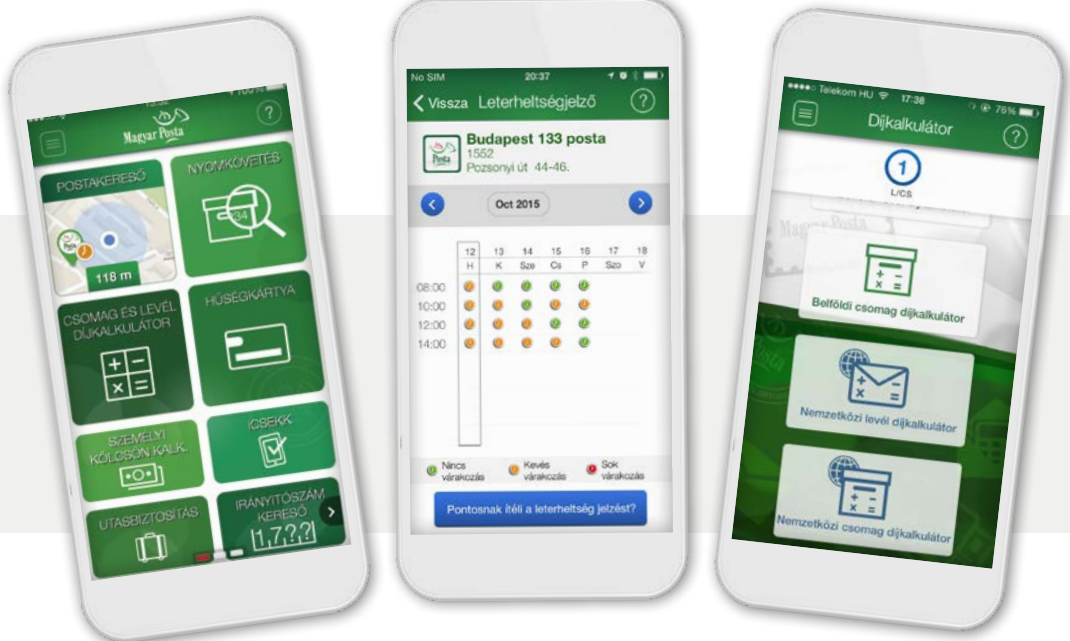
Last year the postal customer service points of Főgáz were expanded by the formation of the first national utility provider Első Nemzeti Közműszolgáltató. In 2015 cooperation related to complaints management started with the telecommunications company UPC-DTH S.à.r.l., introducing the service at a number of postal outlets. Taking account of the overlaps between operators, **by the end of 2015 about 300 postal outlets throughout the country provided support for utilities customer service activity.**

Online channel and mobile application

Magyar Posta considers it to be strategically important to continue to keep pace with the digital challenges of the 21st century and to this end began a complete overhaul of the look of its website in 2015.

This transformation involved the creation of a new online framework that provides a user friendly appearance and the menu for **Posta.hu**, and

MAGYAR POSTA'S MOBILE APPLICATIONS GIVING ACCESS TO INNOVATIVE POSTAL SERVICES ANYWHERE AT ANY TIME ARE INCREASINGLY POPULAR



makes it simpler and faster for customers to do their business online. The “MyPosta” interface, where individuals and organisations can have their personal accounts and use different services, also received a new look.

Postal customers welcomed the changes. In 2015, 13 million visitors used the website and downloaded 18 million pages, while 39,000 people registered on the “My Posta” interface.

The appearance of numerous new online services significantly increased the number of visits. Such services included the **Busy PO Indicator** and the **Bill Checker** applications to help customers consciously plan their financial affairs. Another improvement made during the 2015 overhaul was that access to the website was ensured for partially sighted customers.

The **mobile application** launched by the Company in 2014 likewise gained numerous new functions over the last year. Now the application allows both **travel insurance** to be taken out and

parcels to be **tracked** by phone. Steady growth in the number of people using the application typified 2015 and the number of downloads exceeded 34,000. This app is now available not only on iOS and Android platforms, but also for phones using Windows.

The **mobile application offers the following options** both **in Hungarian and English**:

- a broad search function: post office, postal point and postal outlets offering bill payment by bank card and also open on Saturdays finders, and a postcode finder
- bill payment and parcel terminal finder
- online information about how busy large post offices are
- financial and insurance service options, taking out travel insurance
- personal loan calculator
- postage calculator (for domestic and international mail items)
- tracking
- iCsekk mobile payment and bill payments

MAGYAR POSTA
IS COMMITTED TO THE
DIGITAL WORLD





MAGYAR POSTA
**with almost
 3000
 fixed
 collection
 points**
 HAS HUNGARY'S
 LARGEST PARCEL
 COLLECTION NETWORK

PARCEL COLLECTION ANYWHERE, ANY TIME

Magyar Posta Logistics (MPL) is a major provider in the domestic courier, express and parcel (CEP) market. The market is growing dynamically, spearheaded in part by the development of e-commerce, which continues apace in Hungary as well. Consumers can now choose from several logistics services and alternative ways to collect parcels through an increasing number of webshops online.

Magyar Posta has provided parcel services in a highly competitive environment for many years and has constantly had to make innovations by

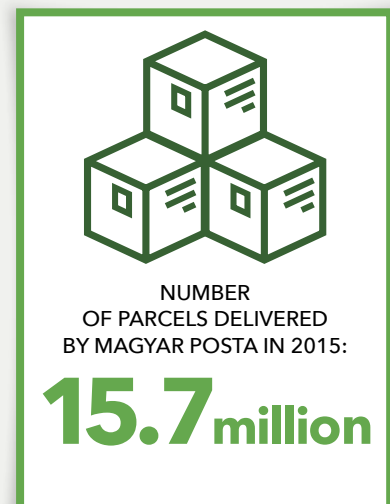
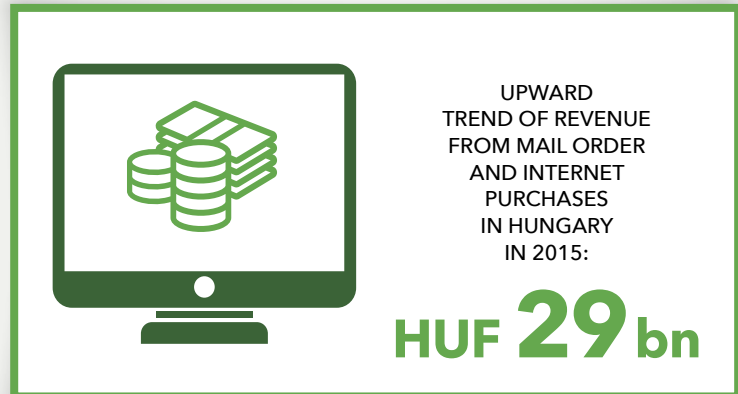
improving the existing network and introducing new services to remain competitive. Increasing demand for widely available services is evident in the parcel logistics market. The use of these services is greatly influenced by the experience and convenience offered to customers. In this respect the fact that Magyar Posta's parcel logistics services are available almost **everywhere, at a growing number of alternative parcel points nationwide** is a major advantage over its competitors.

Magyar Posta is the only major operator in Hungary that can satisfy market needs by providing **four ways of collecting parcels** (delivery to the door, collection at post offices, Postal Points and parcel terminals) at **almost 3,000 fixed collection points**.

NEW CONVENIENT
 PARCEL COLLECTION
 SERVICE OPTIONS:



MAIN INDICATORS OF NATIONAL TRENDS FOLLOWING INTERNATIONAL PROCESSES IN 2015*



* Source: Central Statistical Office: Hungary 2015

Magyar Posta had a successful year in 2015 in consequence of its broad solutions and developments. **In 2015 a new parcel delivery record was set. Magyar Posta delivered 15.7 million parcels**, which is 2.2 million more year-on-year and well in excess of the annual market growth rate.

Magyar Posta's goal continues to be to preserve its major role in the parcel logistics market and, against the background of increasing volumes, introduce new services ensuring customer convenience and offer a streamlined, clear-cut

product portfolio that covers the entire market and satisfies all needs.

Domestic parcel services - renewed services, growing satisfaction

In 2015 the Company made several improvements in parcel logistics that benefited customer convenience. The innovations targeted the expansion of the parcel collection network and the broadening of the times and ways to pick up



parcels on the one hand, and making services more customer-oriented on the other.

Increasing the network and role of alternative parcel points

The ever strengthening role of alternative parcel collection points to provide high standard logistics services for Internet trade has been an observable trend for many years. While classic delivery to the door still remains important, one third of all parcels now reach their recipients at such points. Accordingly, Magyar Posta continuously develops its network and strives to make the times and ways to collect parcels as broad as possible.

The COOP Postal Point service was launched in the fourth quarter of 2015, **expanding** the

Company's parcel point network **by 115 COOP shops**. Adapting to changed consumer habits, Magyar Posta made it possible for customers to collect their parcels there at their convenience at the same time as shopping during longer opening hours.

The number of parcel terminals reached 50 during 2015 as new terminals were installed at busy hubs.

The network extension allows customers to pick up their parcels at more and more places during longer opening hours and even twenty-four hours a day every day of the week from parcel terminals.

In addition to the increasing number of terminals, there were also developments resulting in the expansion of functions that increase

FOR CUSTOMERS' CONVENIENCE, MAGYAR POSTA PROVIDED PARCEL DELIVERERS WITH BANK CARD PAYMENT DEVICES IN 300 TOWNS





the customer experience and convenience. In particular the introduction of the QR code allowing addressees to **collect parcels even more quickly and simply** deserves mention.

Service development - electronic payment and convenience solutions

Since April 2015 customers have been informed of the imminent arrival of their parcels in the most convenient way for them through the **mobile application** thanks to Magyar Posta’s new **system for notifying customers**. This system is able to provide important information in **several languages** customised for both **senders** and **addressees**.

Magyar Posta **provided parcel deliverers with bank card payment devices in 300 towns from the third quarter of 2015**. This serves the convenience of addressees, enabling them to **pay the amounts due by bank card** safely and with no need for cash **when they receive their parcels**.

In the Christmas period Magyar Posta launched a **same-day delivery campaign** at all parcel terminals in Budapest and at several terminals in the provinces. In the campaign the Company undertook to accept parcels from partners in the campaign - typically webshops - by the early afternoon and to place them in the parcel terminals involved, enabling **customers to collect them after 6 pm on the same day**.

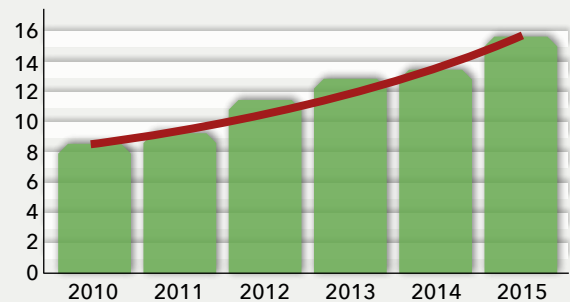
Considering the interests of business partners in particular, in 2015 improvements were made to the systems for addressing parcels, which

simplifies this activity even for bulk mailings. The online version of the address label completion program, which can be accessed with an Internet browser, is available for all contracted customers.

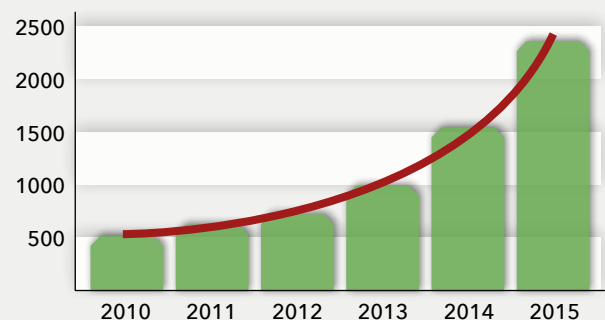
Another of the Company’s innovations for business customers that increases trust and efficiency is the IT-supported on-premises

MAIN INDICATORS OF THE DEVELOPMENT OF THE PARCEL LOGISTICS BUSINESS IN 2015:

INCREASE IN THE NUMBER OF PARCELS DELIVERED BY MAGYAR POSTA IN 2010-15 (MILLION PARCELS)



INCREASE IN THE NUMBER OF PARTNER WEBSHOPS 2010-15





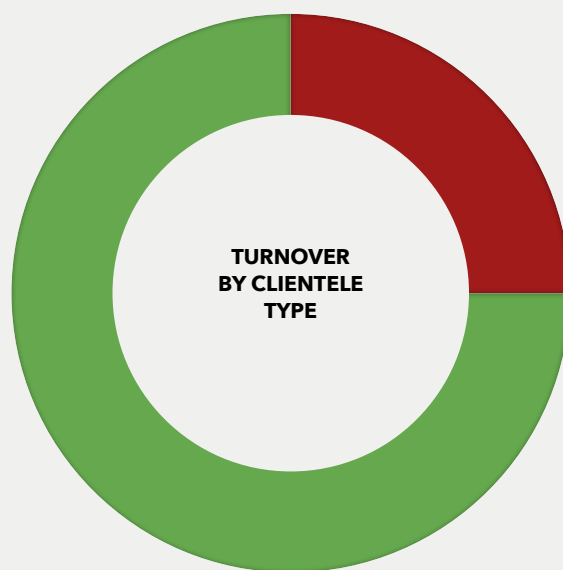
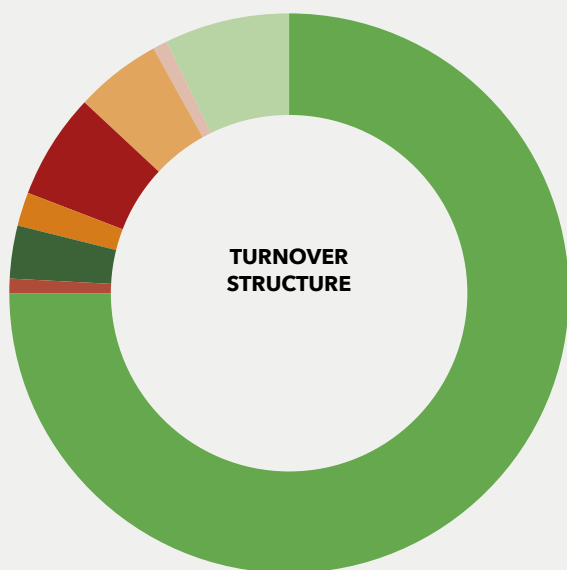
acceptance system. As a result, acceptance at the customer's premises provides a real-time electronic confirmation for the sender.

In order to broaden and integrate the parcel acceptance options for webshops, the Company developed an MPL transport module for several online commerce systems which easily adapts Magyar Posta's parcel delivery solutions to each webshop's operations and delivery options.

Constantly growing number of partners demonstrates the success of developments

Thanks to product development and consistent customer acquisition activities, the number of Magyar Posta's contracted partners grew by over 16% year-on-year and the number of MPL's partners in the e-commerce segment steadily increased. MPL served the logistics needs of **the parcel turnover of roughly 2,400 webshops in**

PARCEL TURNOVER CHARACTERISTICS IN 2015



- MPL BUSINESS PARCEL
- POSTA SPED
- PBP
- SCOD
- DOMESTIC EMS
- MPL NET PARCEL
- COURIER SERVICE
- MPL POSTAL PARCEL

- BUSINESS CHANNEL (B2C, B2B)
- PRIVATE CHANNEL (C2C)

2015. This is almost 30% up compared to 2014. Furthermore, business cooperation arrangements were entered into with several high-volume Hungarian webshops.

The shares within the parcel portfolio in 2015 were characterised by the steadily rising use of the MPL Business Parcel service, the gradual strengthening of the Net Parcel business and the parallel decline of the proportion of the universal parcel services. Courier, Domestic EMS and complex logistics services stagnated during this period.

In the end user segment, the significant development and increasing popularity of the online market in second-hand goods such as Vatera and Jófogás generates a marked, dynamic growth in parcel numbers from year to year, ensuring that Magyar Posta registered an increase last year in the otherwise stagnant private market as well.

International parcel transport - increasing demand for premium services

The combined quantity of international parcels and registered letters containing goods that were handled by Magyar Posta was close to 5 million items due to the boom in international e-commerce. Revenue from international outbound parcel

products produced a rise of 23% year-on-year. International EMS express mail and the Európa+ parcel products continued the positive trend of previous years, which demonstrates that demand for premium international parcel products is constantly strengthening. The growth rate was well in excess of the levels in previous years with revenues from international EMS generating 50% more, while Európa+ parcels were 7.7% higher.

The Company's international EMS express mail service - on the basis of its performance in the previous year - again received the **EMS Cooperation Award Gold Level** of the **UPU*** in 2015 based on an assessment by independent experts. This has only been achieved by five of the EMS member countries around the world.

Magyar Posta performed outstandingly in handling international mail as well. **In October 2015 the International Office of Exchange obtained the IPC** Certificate of Excellence**, which is the highest recognition for centres processing international mails.

Magyar Posta started a number of IT developments in 2015 to modernise international mail services which take account of anticipated changes in universal regulations and the market environment, and which will foreseeably influence the Company's role in the international parcel market. The Company aims to introduce technology based on full IT support in the field of international parcel services as well and to place all international mail on an electronic basis.

* UPU: Universal Postal Union

** IPC: International Post Corporation - the international organisation of the world's advanced postal operators



POSTAL FINANCIAL SERVICES AT MAGYAR POSTA - THE DIGITAL PAYMENT ERA BEGINS

Postal financial services make a major contribution to Magyar Posta's revenues. For this reason, apart from letter and parcel market innovations, **modernising postal financial services plays a key role** in the Company's strategy. Due to changing consumption patterns and technological advance, electronic payment methods are making ever deeper inroads into the financial sector, too. Therefore, Magyar Posta has committed itself to developing **non-cash electronic payment methods** in order to increase customer satisfaction. Competition remains strong, and the spread of payment methods and channels using new technology initiated in previous years by credit institutions and account holders (utility providers, local authorities, etc.) together with their promotion among as broad a clientele as possible continued in 2015.

The **postal bank card acceptance system** was restructured in 2015. Apart from transactions for cash withdrawal, payment in cash and checking the balance at postal POS terminals, the equipment

was converted for the payment of bills by bank card as a purchase transaction.

The payment of bills by card introduced at postal outlets was a resounding success among customers as by the end of the year already 13% of bills were paid by bank card. As a result of the further development of card acceptance at postal outlets, from the first quarter of 2016 postal services and the payment of fees for them can also be settled by card at designated post offices.

In the area of postal financial services a significant part of the innovations concerned the modernisation of **paying bills**, and setting up alternative payment methods and channels:

- The **iCsekk** service introduced at the end of 2014 (card payment with a mobile postal application of bill payment forms bearing a QR code) was being used by more and more customers for an increasing number of transactions during 2015.
- The **bill payment terminals** that entered service at 20 locations in February 2015 enable customers to settle their bills by a bank card payment transaction (purchase by bank card).
- In parallel with replacing the network of POS terminals the **payment of bills by card, classified as purchase transactions, at postal outlets** began in June 2015 and is now available at almost all postal service points due to the progressive installation of POS terminals enabling bank card payments throughout 2015.



MODERNISING
POSTAL FINANCIAL SERVICES
PLAYED A KEY ROLE

The introduction of **paying bills at terminals**, which began in 2015, offers the Company's customers the chance of settling all types of bill payment forms at the terminals installed at the busiest points in Hungary simply, quickly and without having to queue during the opening hours of the post office or shopping centre. Based on experiences in the period since their introduction, more and more customers are open to use the terminals to pay bills.

Another significant achievement of 2015 was that QR codes were put on fully completed yellow and white bill payment forms enabling the payment of bills through mobile platforms using a bank card suitable for making online purchases 24 hours a day. The number of postal bill payments bearing **QR codes** and the amounts of the transactions rose continuously in the course of the year.

As a free convenience service linked to the payment of bills, the **Bill Checker** online application was launched at the end of 2015. After registering on Magyar Posta's home page, this service allows customers to check and sort their bills paid using their Loyalty Card and plan their expenses and income on the online interface. Last



year reading the Posta Loyalty Card and collecting loyalty points also became possible when using all bill payment channels (postal outlets, terminals, iCsekk). Customers can use the collected loyalty points for certain services and products.

Thanks to Magyar Posta's developments in bill payments, the **yellow and white cheque services** continue to be popular with the public. The rate of the decline in numbers had gradually accelerated to a small degree over recent years but the pace of the downward trend slowed down in 2015.

The area of **cash withdrawal from payment accounts** (disbursements of domestic postal orders, outpayment orders and pension orders) was characterised by the negative trend of previous years in 2015 too, which continued to be influenced by the increasing use of non-cash banking services. However, the rate of the decline fell, which was due in a large part to the expansion



THE **BILL CHECKER ONLINE APPLICATION** ALLOWS CUSTOMERS TO CHECK, PLAN AND SORT THEIR EXPENSES AND INCOME ON AN ONLINE INTERFACE

of the range of aid provided in the form of payment orders under the social benefits system. This had a favourable impact on revenue figures as well.

The share of postal payments of pension orders steadily decreases from year to year. This is influenced by the number of newly retired people drawing pensions as well as their money management and banking habits. Nevertheless, the postal payment of pensions remains popular.

The number of transactions and the revenue of **domestic money remittance services (domestic postal order, international postal order, Western Union money order)** declined in Hungary to the extent characteristic of recent years. The increasing use of the various electronic payment and money sending methods by the public has led to an almost stable figure for the rate of decline in cash to cash transactions over recent years as fewer and fewer customers use this type of transaction.

A smaller fall was experienced in international money order transactions than the decline in the previous year.



BROADENING THE FINANCIAL PRODUCT RANGE - COOPERATION WITH THE FHB BANK

Magyar Posta intends to bolster its role in the area of financial services through strategic acquisitions, and thus **acquired a share in FHB Kereskedelmi Bank Zrt. in September 2014.**

Account packages were introduced for sale in the postal network on behalf of the FHB Bank (Posta Bank Account, Posta Retirement Account, Posta Flotta Account), as well as the Fixed Deposit and Prize Draw Deposit products marketed on behalf of the FHB Bank. By widening the scope of cooperation, the range of financial products offered to the public was expanded and on 15 June 2015 sales of the **Posta Personal Loan** products began.

In 2015 Magyar Posta continued to pay particular attention to marketing **Posta Account packages on behalf of the FHB Bank.** The Company bucked the trend dictated by credit institutions operating in Hungary and increased the number of postal outlets where such services are available. At present modern private bank account services are offered at 462 post offices. The number of customers with a Posta bank account increased considerably compared to the previous year.

Sales in the postal network of the **Fixed Deposit and Prize Draw Deposit** savings schemes marketed for the FHB Bank in 2015 resulted in a **major increase in the portfolio.**






MAGYAR POSTA IS FURTHER STRENGTHENING ITS ROLE IN THE FINANCIAL SERVICES MARKET

MAGYAR POSTA'S AVAILABLE INVESTMENT PRODUCTS

GOVERNMENT BONDS ON A SECURITIES ACCOUNT

		
TREASURE SAVINGS BILL PLUS	BONUS HUNGARIAN GOVERNMENT BOND	PREMIUM HUNGARIAN GOVERNMENT BOND
<ul style="list-style-type: none"> Safe No health contribution Fixed interest 1 year maturity 	<ul style="list-style-type: none"> Safe No health contribution Variable interest 4.5 year maturity 	<ul style="list-style-type: none"> Safe No health contribution Variable interest Interest premium above inflation

INVESTMENT FUND UNITS

				
MAGYAR POSTA SAVINGS PROPERTY INVESTMENT FUND	MAGYAR POSTA SHORT BOND INVESTMENT FUND	MAGYAR POSTA SAVINGS MONEY MARKET INVESTMENT FUND	MAGYAR POSTA SAVINGS LONG BOND INVESTMENT FUND	MAGYAR POSTA SAVINGS HARMONY MIXED INVESTMENT FUND
<ul style="list-style-type: none"> Medium risk Flexible Share from property market yields Recommended for medium term 	<ul style="list-style-type: none"> Medium risk Flexible Share from bond market yields Recommended for medium term 	<ul style="list-style-type: none"> Low risk Flexible Competitive return Recommended for short term 	<ul style="list-style-type: none"> Medium risk Flexible Share from long bond market yields Recommended for medium term 	<ul style="list-style-type: none"> Medium risk Flexible Share from bond market and share yields Recommended for medium term

Results in investment services

The largest income generated in 2015 in private savings was derived from paper-based **Treasury Savings Bills**, which have been marketed exclusively by Magyar Posta since 1995. Sales and preserving the portfolio were better than expected due to the favourable market pricing of the product and the outstanding sales as an effect of external market events (compensation payments*).

In 2015 the main focus of the investment products sold on behalf of **Magyar Posta Befektetési Zrt.** was on retail government bonds and in particular on the **Treasury Savings Bill Plus (KTJP)**.

* Compensation paid to customers related to the foreign currency loans

The closing government bond portfolio at the end of 2015 was very high due to a growing market demand for retail government bonds, the popularity of the KTJP and successfully addressing potential customers. In addition, the maturity of the KTJP was significant, which the online postal investment network successfully renewed in large numbers at 349 sales points.

Customer acquisition in 2015 was supported by organised investment days, campaigns for combined securities account management fees and various media appearances. The success of the activity is demonstrated by the fact that the number of **combined securities accounts** for retail customers grew considerably in 2015.

In the third quarter of 2015 a new investment fund, **Magyar Posta Savings Long Bond Fund**, was added to the securities product range. Thus the current product range offered by Magyar Posta Befektetési Zrt. is comprised of the following securities: Treasury Savings Bill Plus (KTJP), Bonus Hungarian Government Bond (BMÁK), Premium Hungarian Government Bond (PMÁK), Magyar Posta Savings Property Fund (MPTIA), Magyar Posta Savings Money Market Fund (MPTPA), Magyar Posta Short Bond Fund (MPRKA), Magyar Posta Savings Long Bond Fund (MPTKA).

The building savings schemes are producing increasingly spectacular yield gains in the market. Magyar Posta and its building society partner **Fundamenta-Lakáskassza** achieved an all-time sales record in 2015.

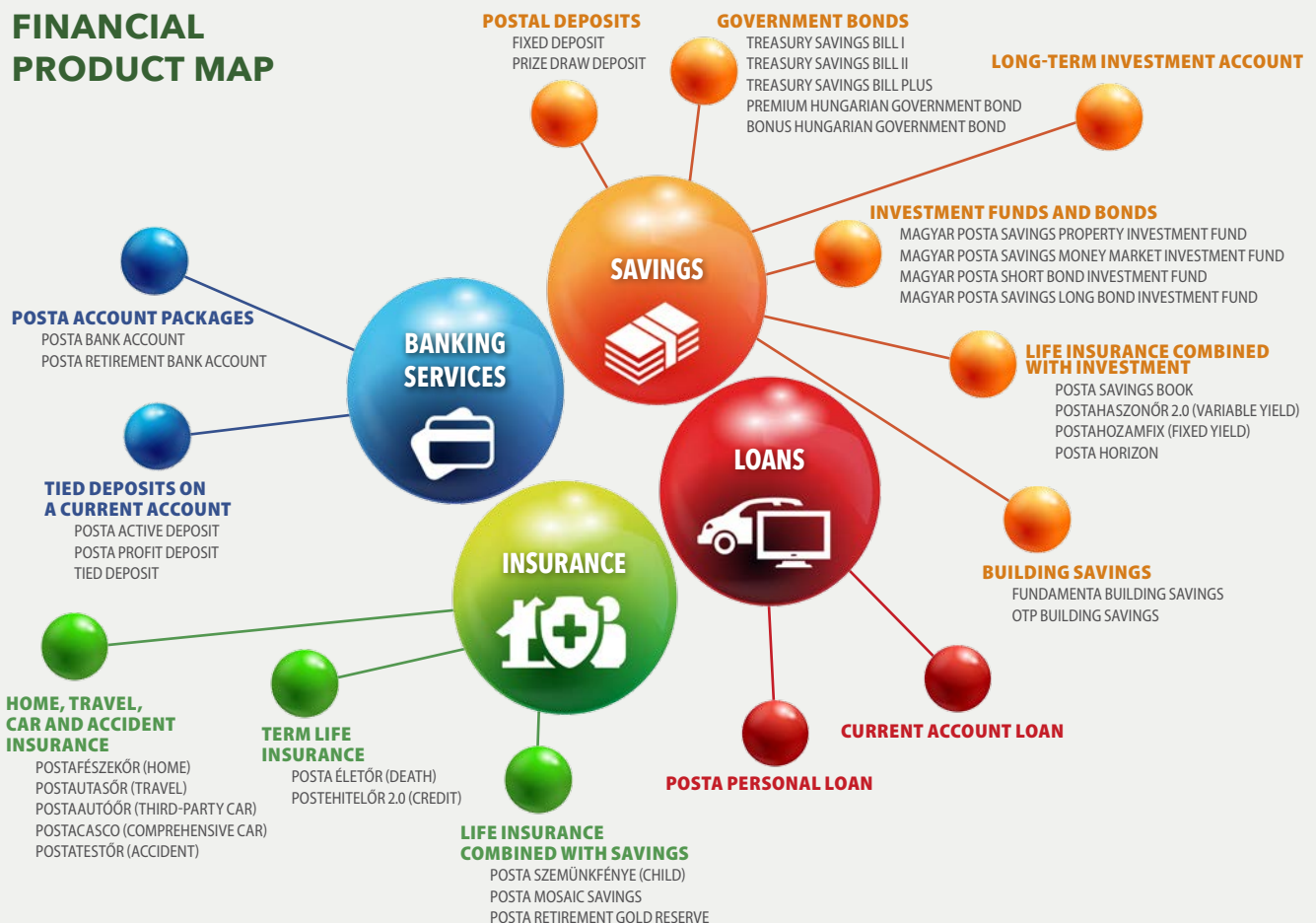
INSURANCE INTERMEDIATION

In 2015 the life insurance company Magyar Posta Életbiztosító was awarded the prestigious title **Best Insurance Company in the Life Insurance Sector in Hungary** by the London-based market-leading financial periodical, World Finance Magazine, for the second time.

Magyar Posta's revenue from insurance intermediation also grew compared to the previous year.

Last year the progress of the insurance companies Magyar Posta Biztosító and Magyar Posta Életbiztosító was undiminished.

FINANCIAL PRODUCT MAP



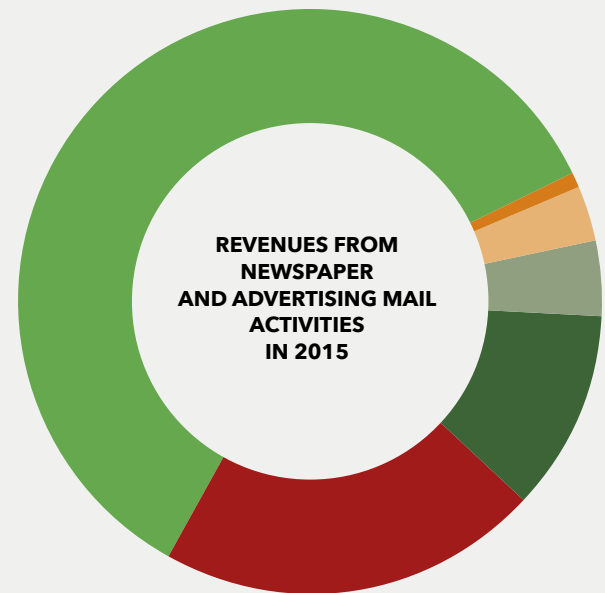
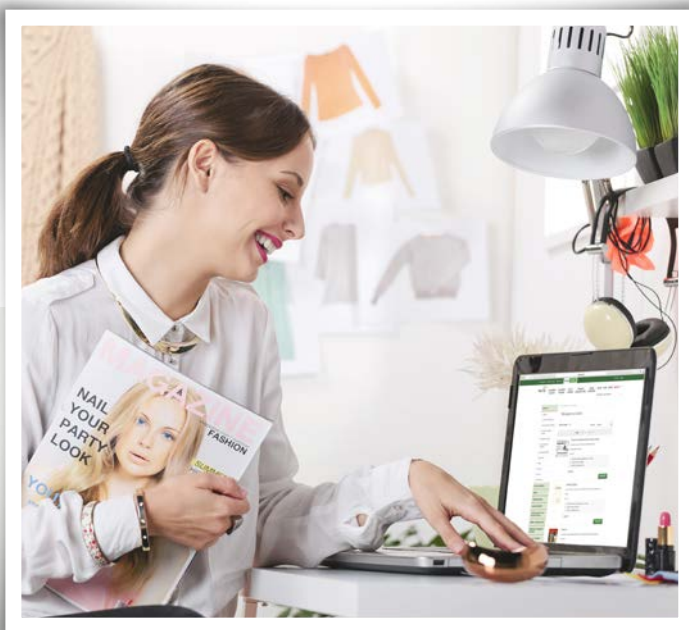
NEWSPAPERS, UNADDRESSED ADVERTISING MAIL

Customer acquisition enabled the number of newspapers distributed by subscription to grow perceptibly from 2014 to 2015, and simultaneously the number of subscriptions and volume delivered also increased.

Using innovative online developments and reaching a target group with a preference for Internet shopping, the **subscribed newspaper and periodical distribution service opened towards a new segment**, and from **December 2015** the service **can also be ordered through posta.hu**. The possibility of subscribing for newspapers was also extended at postal service points with paying by bank card and exchanging Loyalty Card points.

In providing a full service for publishers, the intention of having subscription fees collected by Magyar Posta grew firmer on the part of both Magyar Posta and the publishers, which is likely to lead to another increase in the number of subscribers managed by the Company in 2016.

Magyar Posta maintained its role in 2015 in the **wholesale newspaper** market, which was aided by the continuous optimisation of the selection of



- SUBSCRIBED NEWSPAPER DISTRIBUTION
- ADVERTISING MAIL
- NEWSPAPER SALES
- OTHER NEWSPAPER ACTIVITY
- INSERT PACK
- PRINTING

newspapers and periodicals adapted to customer needs.

In order to support the newspaper service, a new modern wrapping machine was purchased and put into service in 2015. As a result of the development and through the renewed **Insert Pack service**, the Company can provide **high-standard** newspaper wrapping and addressing services.

The **2015 revenue from postal newspaper and advertising mail activity** grew appreciably compared to the previous year. The largest share in the 2015 newspaper and advertising mail revenue continues to come from the distribution of subscribed newspapers.

WITH A FEW CLICKS ON MAGYAR POSTA'S NEW ONLINE INTERFACE SUBSCRIPTIONS FOR THE HOME DELIVERY OF ALMOST 900 HUNGARIAN AND FOREIGN PERIODICALS CAN BE PLACED

PHILATELY

In many countries of the world postage stamps could be regarded as a special calling card for the nation. Hungary is one such country, which communicates both cultural and business values through stamps. Magyar Posta continues to endeavour to promote stamp collection with themes referring to anniversaries, presenting events in a particular year and with a product portfolio full of special printing technology features.

As a result of a proactive approach, revenue from the activity increased by 1.3% compared to the previous year. Philatelic stamps accounted for 97% of sales, Your Own stamps 2.5% and philatelic commercial goods 0.5%.

In 2015 stamps issued by Magyar Posta again enjoyed international recognition. Its stamp in the contest to find the best stamp on the theme of EUROPA - Old Toys for the member countries of PostEurop* came second in the public online vote and the block on the repatriation of the marvellous Seuso treasures issued in 2014 was awarded second prize in the WIPA GRAND PRIX.

* PostEurop: a community of 52 members in 49 countries that has been representing European postal operators since 1993



THE STAMP BLOCK ISSUED ON THE REPATRIATION OF THE SEUSO TREASURES CAME SECOND AT THE INTERNATIONAL WIPA GRAND PRIX STAMP CONTEST



THE WONDERFUL WORLD OF STAMPS PLAYS AN IMPORTANT ROLE IN MAGYAR POSTA'S CORPORATE SOCIAL RESPONSIBILITY, FOR INSTANCE IN THE EDUCATIONAL "PLAY POST OFFICE" PROGRAMME FOR CHILDREN AND THE STAMP MUSEUM'S YOUTH EVENTS



ONE OF 2015'S PRIZE-WINNING MINIATURE SHEETS, SHOWING SOME TREASURED TOYS FROM THE KATONA JÓZSEF MUSEUM'S SZÓRAKATÉNSZ TOY MUSEUM AND WORKSHOP IN KECSKEMÉT, DESIGNED BY THE GRAPHIC ARTIST GLÓRIA HEFELLE



RETAIL ACTIVITY

Another area where Magyar Posta is active is retail trade. Gambling games comprise the largest part of the retail portfolio and for this reason extra focus was given to this area. In order to further increase turnover, **scratch card display devices** were purchased and located in postal outlets last year to showcase them in an attractive, eye-catching manner. A further significant change was the launch of Szerencsejáték Zrt.'s new AEGIS system, and a renewed Tippmix game also started on 10 August 2015, which means that customers can find these new services at postal outlets. To raise the standard of the betting service, the

Company **began preparatory work on setting up complex gambling corners.**

Due to the innovatory processes of the retail activity, electronic mobile phone top-ups were placed in a modern IT environment that will allow the latest new services to be introduced in the future.

With a view to increasing the turnover of Erzsébet vouchers, the **sales** targeting the SMEs and micro-businesses were successful and through them a permanent group of customers evolved.

The Company further expanded the range of its own brand products and launched the transformation of its product portfolio with the sales of current goods. Another new own brand product, the **Posta Photo Book** service, was introduced at the end of 2015.



THE LEADING RETAIL PRODUCTS ON SALE AT POST OFFICES ARE STATIONERY, BOOKS AND ENVELOPES BUT GAMES AND GIFTS, MANY OF WHICH ARE OWN-BRAND PRODUCTS, ARE ALSO POPULAR



DEVELOPMENTS IN POSTAL NETWORK ACCESS





NATIONWIDE NETWORK - ACCESSIBLE EVERY WORKING DAY OF THE WEEK

Magyar Posta provides postal services with a personal presence **in every community in Hungary on every working day of the week** and also on Saturdays in towns with high business potential. Every working day 10,000 people, 9,000 delivering letters and 1,000 parcels, take the mail to addressees in every town and village in the country.

97% of the population can access postal services at a service point operating in their own community. Mobile post offices accept and deliver mail in small villages, where customers can arrange their postal affairs in their "own home".

As in previous years, in 2015 the Company placed particular emphasis on developing the fixed point network. In the framework of investments

in post offices with the highest business value, **queuing systems** were purchased for a further 45 outlets in addition to the 126 post offices where these systems already function. The installation of these systems is scheduled for the first half of 2016. The national annual average waiting time at post offices with a queuing system between 2012 and 2015 shows an improving trend, falling from 5 minutes to 4 minutes 7 seconds.

In an effort to improve customer satisfaction, after the success of a trial period in 2014, the Company introduced information devices that advise customers of the busier and slacker periods at 2,490 post offices in January 2015. The visual display of these details gives customers extra information that helps them plan the best time to visit the post office.

In the spirit of up-to-date, economic operations, the postal routes of carriers have been organised in a modern, dynamic way that provides the National Logistics Centre with management information.





IN 2015 MAGYAR POSTA'S VEHICLES
TRAVELLED

82 million km



IMPROVING LOGISTICS INFRASTRUCTURE - SERVING NEEDS

Modernising the logistics chain is a high priority for Magyar Posta. Under a **comprehensive fleet renewal programme** nearly 600 vehicles have been replaced since 2013, of which 80 trucks entered service in 2015. The renewal of delivery vehicles in the same year as these trucks were put into use extended to the deployment of 200 new motorcycles and over 1,100 new bicycles. Thanks to this upgrade, the average age of Magyar Posta's motor vehicle fleet improved from 10 to 8 years old, while that of its bicycle fleet fell from 8 to 6 years old. Magyar Posta's vehicles travelled

82 million kilometres in 2015, 1% more than the number of kilometres travelled in 2014.

To ensure modern equipment and safer working conditions, the Company put into service 105 new forklift trucks and other pieces of lifting equipment as part of the renewal of its materials handling equipment in 2015.

Magyar Posta, as a company with one of Hungary's largest vehicle fleets, pays particular attention to reducing emissions. To this end, **testing the use of electric cars and motorcycles** commenced at the end of the summer in 2015. During the trial the motorcycles used by mail couriers and the electric cars used mainly for delivering parcels proved to be highly satisfactory.



INVESTMENTS AND MAINTENANCE

The value of investments made by the Company over the whole year was over HUF 8.6 billion. The majority of the procurements were in information technology (purchasing new software licences, developing existing software, and replacing and supplementing IT equipment, etc.) and in reconstructing and extending property and building new post offices.

Almost HUF 1.3 billion on top of that was spent in 2015 on maintenance tasks such as

the maintenance of the building stock without extending functions, repairing faults, and the scheduled preventive servicing of machinery and equipment.

The Company has always been concerned to ensure equal treatment for disabled people and thus another 31 post offices were made accessible for them in investments from its own funds over the last year.



RENOVATIONS AND MAKING POST OFFICES **ACCESSIBLE** WERE KEY PRIORITIES IN COMPANY INVESTMENTS



OPERATIONAL FEATURES



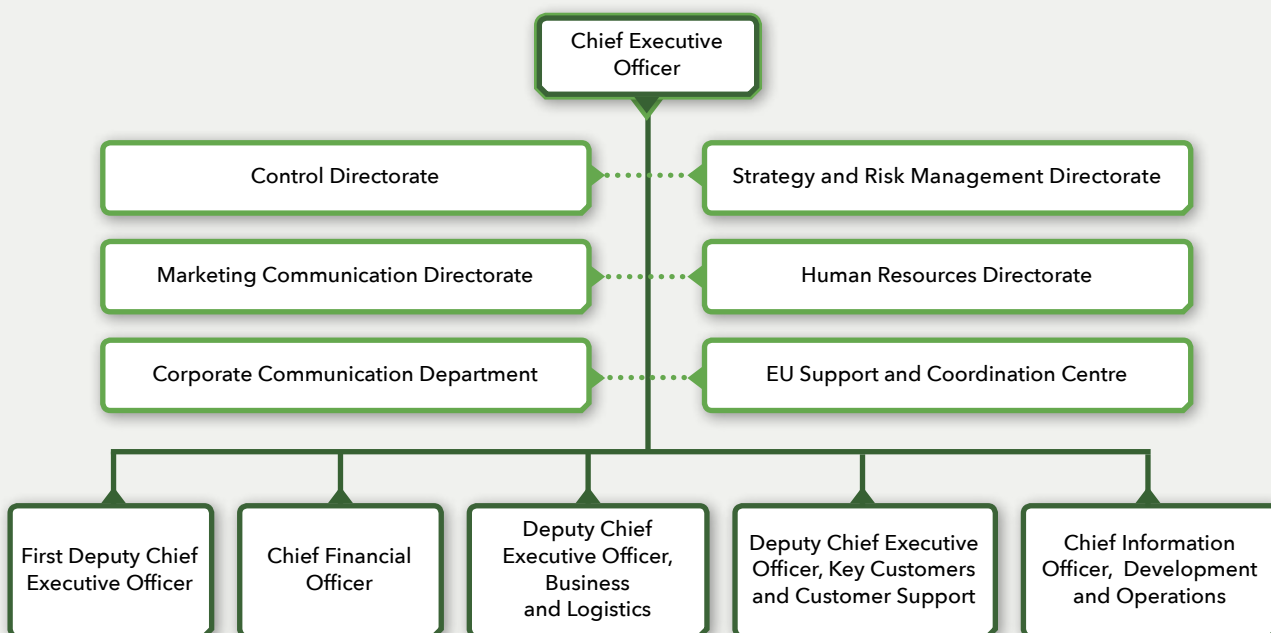


The **management of the Company is committed to developing effective corporate governance and management levels according to market processes** together with an active staff policy tailored to this, and **believes in the strength and business potential of a duly motivated, appropriately qualified workforce** which

support the functioning of a positive corporate culture.

The representatives of the Company's owners **work together** with its **managers and employees** for the **long-term success and profitability** of Magyar Posta and the Posta Group. This is supported in great measure by the integrated management of

MAGYAR POSTA ZRT.'S CORPORATE GOVERNANCE STRUCTURE



THE BOARD OF DIRECTORS ON 31 DECEMBER 2015:

- Dr Csaba Polacsek, *chairman*
- Ákos Békési
- Iván Bulyáki
- Dániel Lontai
- Zsolt Levente Szarka
- Tamás Szauer

THE SUPERVISORY BOARD ON 31 DECEMBER 2015:

- Csaba Lantos, *chairman*
- Dr Barnabás Balczó
- Dr Sándor Nemes
- Levente Szabó
- Ferenc Szarvas
- Zsuzsanna Tóth

corporate risks and the high-level representation of quality and environmental policies. The **outstanding functioning** of the Company was recognised by domestic and international organisations on several occasions in 2015.

CORPORATE GOVERNANCE AND A MODERN BUSINESS APPROACH

Magyar Posta pursued its activities in 2015 under the **organisational structure** reshaped in 2014, which **supports efficiency and profitability**.

This organisational structure effectively supports streamline decision-making mechanisms, and bolsters the Company's customer and sales orientation, and efficient governance.

CORPORATE ALLIANCES AND PARTNERSHIPS - KNOWLEDGE SHARING, JOINT SUCCESS

Last year several corporate alliances with mutual benefits were entered into.

On 31 March 2015, in the interest of predictable partnership in the long term, the Group's assets

management firm Magyar Posta Vagyonkezelő Zrt. signed a purchase contract with the cooperative bank Magyar Takarékszövetkezeti Bank Zrt. and the mortgage bank FHB Jelzálogbank Nyrt. for the acquisition of a shareholding in JNT Security Kft. The company changed its name to MPT Security Magyar Posta Takarékszövetkezeti Bank Zrt. (abbreviated to MPT Security Zrt.).

Likewise to realise strategic aims, Magyar Posta Vagyonkezelő Zrt. sold a 50% stake in MPO Magyar Posta Oktatási Szolgáltató Kft. in October 2015, which had been in its sole ownership until then. The company's new name is MPTO Magyar Posta Takarékszövetkezeti Bank Zrt.

EFFECTIVE RISK MANAGEMENT - THE CORNERSTONE OF BALANCED OPERATIONS

According to the provisions of the Risk Management Strategy adopted by the Company, Magyar Posta's aim is the **rational management of risks**. The established system lays down the objectives and tools available both at an integrated level and by separate risk types as well as the risk appetite.

In 2015 the Company examined the risks concealed in the strategic and business plan and the launched developments, operating the integrated risk management system effectively,





FINANCIAL MARKET RATES INFLUENCING OPERATING COSTS WERE FAVOURABLE IN 2015

satisfying objectives for further development, and analysing and assessing the different level risks.

The development of the main risk exposures in 2015

Liquidity risk: Funds were raised continuously throughout the year to finance the Company's operations. The safety of liquidity management grew as the size of the credit facilities increased.

Credit risk: The size of the credit risk in relation to customers and other partners such as account managing banks was not significant last year similarly to previous years.

Among the Company's **financial market risks**, the risk of the greatest importance arose from the fluctuating price of the fuel used by vehicles, mainly gasoil. Financial market rates influencing operating costs (fuel prices, USD to HUF exchange

rate) were favourable in 2015, which had a positive effect on the Company's result. Magyar Posta's foreign currency exchange risk decreased as foreign currency revenues stemming from business activity, which were higher than in previous years, provided natural cover for expenses generated in foreign currency.

The Company manages its **operating risks** in a decentralised way based on which each organisational unit is individually responsible for identifying, measuring, assessing and coordinating the management of the potential risks related to its area of activity.

The centralised management of and cover for operating risks was realised in part by insurance. A smaller part of the Company's assets used to be insured but in 2015 comprehensive property insurance was taken out covering all assets, mainly





providing cover for rare events causing large-scale damage. Additionally, a complex liability policy that extended the insurance cover came into effect. An important step forward was the establishment of the process for declaring damage and settling claims.

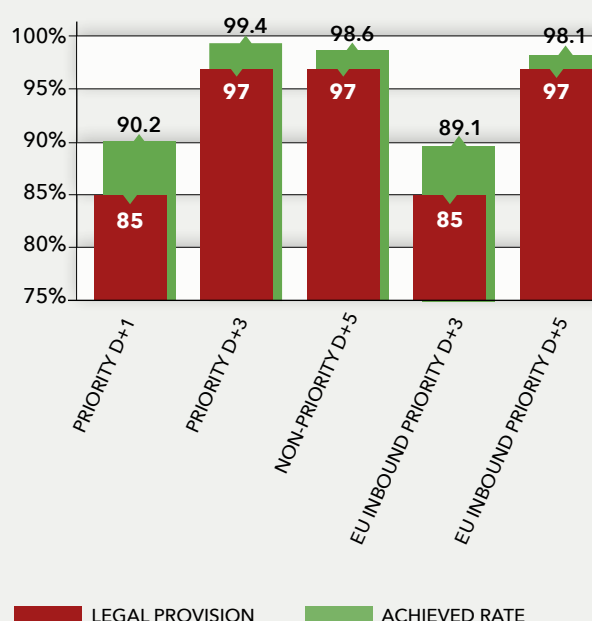
QUALITY - FOR CUSTOMER SATISFACTION

In its Quality and Environmental Policy statement, Magyar Posta's management commits the Company to reducing the extent of environmental impacts and to increasing the satisfaction of its business and private customers, strategic partners, staff and owners.

This commitment appears in the ISO 9001 standard-based Quality Management System supporting the Company's business processes, which has operated for over ten years, and the Environmental Management System certified under the ISO 14001 standard at the logistics units. Apart from these, units performing key tasks are also governed by the ISO 27001 Information Security Management System, and the Company started developing the Energy Management System under the ISO 50001 standard at the end of 2015.

Quality of service at a level in compliance with the legal provisions is an essential requirement for the Company as the universal postal service provider. As in previous years, in 2015 results certified by independent measurement agencies verified that the transit times laid down by law were achieved.

UNIVERSAL POSTAL SERVICE - POSTED BASED ON SINGLE-PIECE TARIFFS - 2015



Certificate HU05/1670



The management system of

Magyar Posta Zrt.

H - 1138 Budapest, Dunavirág u. 2-6.

has been assessed and certified as meeting the requirements of

ISO 9001:2008

For the following activities

Entire business and supporting processes of letter services, parcel services, freight transportation and complex warehousing management service, print and distribution service (lettermail produced by Insert Pack), consignment digitalization and data processing services.

Further clarifications regarding the scope of this certificate and the applicability of ISO 9001:2008 requirements may be obtained by consulting the organisation.

This certificate is valid from 9 December 2014 until 8 December 2017 and remains valid subject to satisfactory surveillance audits. Re certification audit due before 10 October 2017 Issue 10. Certified since 9 December 2005

Authorised by

SGS United Kingdom Ltd Systems & Services Certification
 Rossmore Business Park Ellesmere Port Cheshire CH65 3EN UK
 t +44 (0)151 350-6666 f +44 (0)151 350-6600 www.sgs.com



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MAGYAR POSTA ENSURES THAT THE SMALLEST POSSIBLE ECOLOGICAL FOOTPRINT TYPIFIES ITS OPERATION



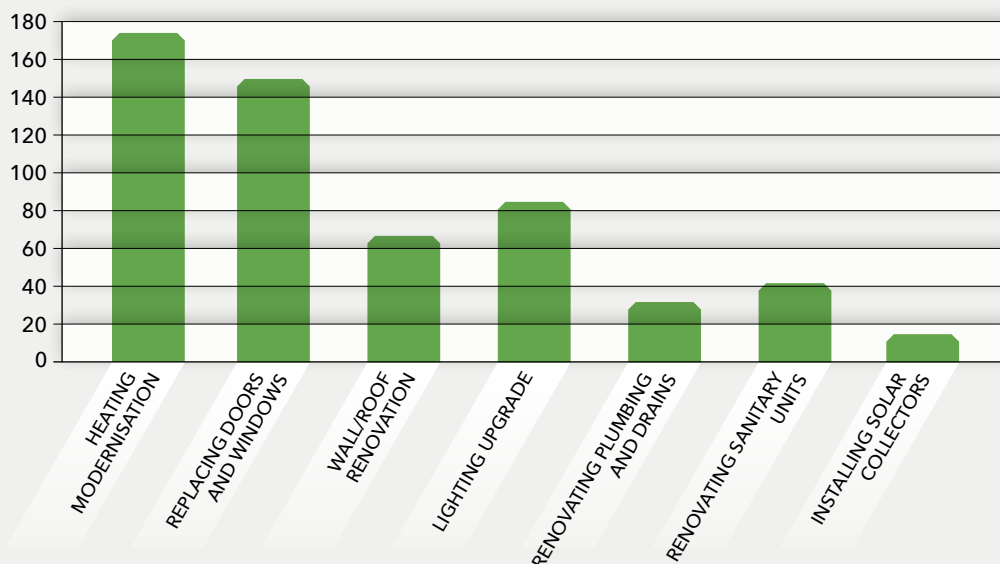
INTEGRATING ENVIRONMENT-CONSCIOUS BEHAVIOUR INTO CORPORATE CULTURE

Magyar Posta consistently strives to promote environment-conscious behaviour at both corporate and individual levels. In the interest of sustainable development, attention is paid to ensuring the least possible environmental damage while achieving economic growth in the development of products and services. To this end, the Company endeavours to strike a balance

of social, corporate and environmental interests in making decisions.

As an enterprise with one of the country's largest vehicle fleets, the Company pays special attention to reducing emissions. In line with the principles of the National Climate Change Strategy, the target for the 2014-20 period is expected to be met well before the deadline.

ENERGY-SAVING INVESTMENTS 2015

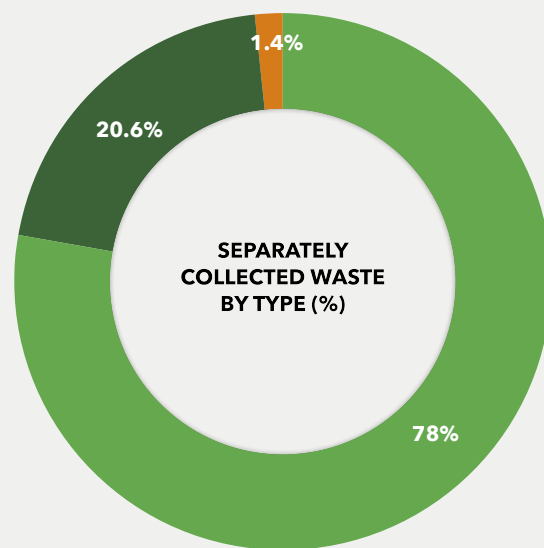




Environmental awareness is also apparent in efficient waste management. Through its integrated and centralised postal waste management, Magyar Posta increases the proportion of separately collected and recovered waste year by year. This approach in 2015 led to an increase in revenue from the sale of waste by almost 57% compared to the previous year totalling HUF 59.4 million.

In 2015 the Company generated 3,007 tonnes of separately collected waste, and 84% of this (paper, metal, plastic and electronic waste) was sold for recycling.

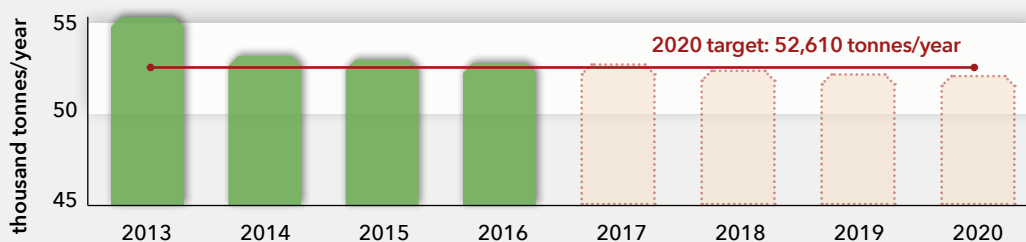
To ensure efficient management, every year the Company pays constant attention to energy saving solutions while implementing developments. In 2015 Magyar Posta devoted over HUF 558 million to investments resulting in environmental protection and energy savings, which achieved their objective and produced significant reductions in costs.



- OFFICE AND PACKAGING PAPER WASTE
- OTHER NON-HAZARDOUS WASTE
- HAZARDOUS WASTE



MAGYAR POSTA LIKELY TO ACHIEVE ITS COMMITMENT TO A 5% CO₂ EMISSIONS REDUCTION BY 2020 AHEAD OF TIME





THE BEST PERFORMING COLLEAGUES ARE ACKNOWLEDGED EACH YEAR ON WORLD POST DAY

RESPONSIBLE STAFF POLICY - RESPECT FOR EMPLOYEES IS THE COMPANY'S INTEREST

The Company organises its workforce in line with business expectations and in harmony with the goals, offering a secure livelihood to its employees as a responsible employer strengthening corporate social responsibility. Magyar Posta's flexible staff management practice ensured optimised HR management adapted to business needs again in 2015. The Company's average statistical staff number - taking into consideration all kinds of employment status including employment from 1 day to 5 days, was over 30,000, which means that, converted to an average full-time staff number, it employed almost 29,000 reduced persons. The **average salary** for full-time work **rose by almost 3%** at a corporate level compared to 2014.

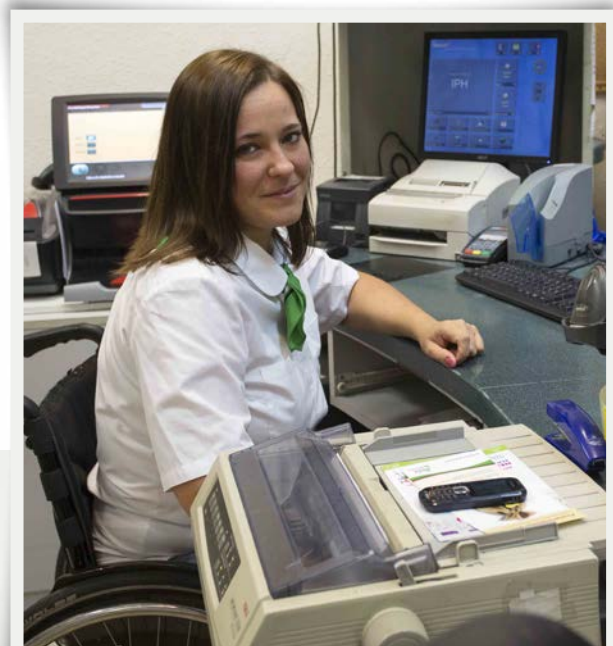
A sign of the respect the Company's employees are held in is that 477 people received professional and ethical distinctions. These staff members have made an outstanding contribution to strengthening

MAGYAR POSTA'S MANAGEMENT CONTINUES TO BE COMMITTED TO EMPLOYING PEOPLE WITH A REDUCED CAPACITY TO WORK

Magyar Posta's reputation, to commercially viable corporate developments and to adapting to market needs.

Sensitive employment policy

In 2015 Magyar Posta was a founding signatory of the European Union initiative the Diversity Charter. By joining the Charter, the Company expressed that it is taking a lead in responsible employment through HR and equal opportunities policies, and internal and external communication.



MAGYAR POSTA WAS AWARDED THE "MENTOR OSCAR" IN 2015 IN RECOGNITION OF THE MENTORING METHOD OF THE **KEY PERSON PROGRAMME**



Magyar Posta provides employment by ensuring lawful and diverse working conditions such as teleworking, temporary employment, student work, part-time work, split work, working time banking, flexible working hours and flexible working arrangements. These allow for the organisation of work adapting to service volumes as well as providing options for family friendly employment.

In 2015 the Company's recruitment activity was also renewed. The Company appears in the labour market on a broader platform through self-organised job fairs, thereby guaranteeing openness towards the younger generations and supporting job seekers to find posts.

Magyar Posta's management continues to be committed to employing people with a reduced capacity to work. The Company promotes their employment and integration into the labour market through internal support systems.

Competitive knowledge and the postal career

In 2015 Magyar Posta introduced its Career Care scheme, which covers the entire employment process focusing particularly on labour supply at postal outlets. The management planning system, which targets colleagues who wish to further their ambitions based on a voluntary application





THERE ARE 44 POSTAL WELFARE INSTITUTIONS TO IMPROVE THE QUALITY OF LIFE FOR POSTAL WORKERS, PROMOTE GOOD HEALTH AND PROVIDE SATISFYING RELAXATION

scheme, also changed. The programme offers mentor-based targeted support for managerial and key positions at postal outlets.

Regarding its effectiveness, mentoring as methodology is a leading supportive colleague-centred form of development at the Company. Evidence of Magyar Posta's success in this field was the "Mentor Oscar" awarded in 2015 in recognition of the mentoring method of the Company's 2014 Key Person Programme.

Continuously expanding knowledge through the latest training forms and methods mainly by independent study is important for the Company.

In 2015, 90% of those taking part in training acquired knowledge in this manner. Apart from centrally organised courses, the knowledge of employees was supplemented by on-the-job training.

Socially responsible employer - responsibility for the employees

Optional fringe benefits (OFB), which have been regularly provided by the employer for twelve years, are part of the Company's compensation system. The annual cost of the OFB accounts for almost two thirds of Magyar Posta's welfare and social expenditure.

There are 44 postal welfare institutions to improve the quality of life for postal workers, promote good health and provide satisfying relaxation. These institutions enabled 6,634 postal workers, pensioners or their relatives to have a rest last year. Free locomotor rehabilitation was

MAGYAR POSTA LAYS GREAT EMPHASIS ON PROVIDING PROTECTIVE HEALTH SCREENING AND EDUCATION TO ITS EMPLOYEES





IN 2015 MAGYAR POSTA'S HUMAN RESOURCES UNIT RECEIVED THE **INVESTORS IN PEOPLE** STANDARD FOR THE FOURTH TIME

provided for 155 colleagues, and 422 children of postal employees enjoyed concessionary holidays.

The Company granted social aid to staff members in difficult circumstances dependent on need. Assistance was also provided where need arose for maternity and funerals. Aid totalling HUF 111 million was granted in more than 2,500 cases.

As a responsible employer, Magyar Posta joined the **Comprehensive National Health Protection Screening Programme**, which aims to recognise potential health problems at an early stage and to reduce the number of people on sick leave and the costs this incurs.

Stable labour relations

Stable and peaceful labour relations typify Magyar Posta. The Company maintains continuous relations and confers with and consults the representative bodies and trade unions under the social dialogue system set up previously. Compliance with the provisions of the Equal Opportunity Scheme,

which is renegotiated with the representative bodies every two years, ensures equal treatment for employees.

Human services

The Company's HR unit provides full personnel services not only for the organisation of the parent company but, based on a separate agreement, also for the postal companies in which Magyar Posta has an interest. These services include labour and accounting tasks and competence measurements. In 2015 the HR service was provided to the 365 members of staff of the 9 companies in the Posta Group.

Magyar Posta's human resource management is outstanding even in international terms. In 2015 the Company's human resources unit received the **Investors in People** standard for the fourth time. The award recognises operation in compliance with the standard recommendations and is open to companies which in fact work on the basis of conscious investments in people and are able to demonstrate their benefits in practice.

REGISTRATION DATA ABOUT MAGYAR POSTA ZRT. (2015)

Magyar Posta Zártkörűen Működő Részvénytársaság (also referred to as Magyar Posta or the Company) was established for an indefinite term. The Company is the general legal successor of Magyar Posta Vállalat and was founded on 31 December 1993.

COMPANY HEADQUARTERS: Budapest, District XIII, Dunavirág u. 2-6

**THE COMPANY'S SHARE CAPITAL
ON 31 DECEMBER 2015:** HUF 14,138,000,000

MAIN ACTIVITIES:

- acceptance, transport and delivery of letter-mail items and parcels,
- complex logistics services,
- postal financial intermediation,
- savings and insurance intermediation,
- newspaper distribution,
- retail activity

THE COMPANY'S MANAGING BODY: Board of Directors

THE COMPANY'S CHIEF EXECUTIVE OFFICER: Zsolt Szarka



2015 BUSINESS FIGURES



THE COMPANY'S AUDITOR ON 31 DECEMBER 2015:

Deloitte Könyvvizsgáló és Tanácsadó Kft.

Tamás Horváth, certified auditor

Chamber membership number: 003449

Performance indicators

Name	2014 (year)	2015 (year)
EBIT (HUF million)	588	3,547
EBITDA (HUF million)	8,215	12,348
EBIT/average equity	0.8%	4.3%
EBIT/average assets	0.3%	2.0%
EBIT/net sales revenue	0.3%	1.9%
EBITDA/average equity	10.5%	15.1%
EBITDA/average assets	4.8%	6.8%
EBITDA/net sales revenue	4.4%	6.5%

Annex 1

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte Auditing and Consulting Ltd.
H-1068 Budapest, Dózsa György út 84/C., Hungary
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www.deloitte.com/hungary

Registered by the Capital Court of Registration
Company Registration Number: 01-09-071057

Translation of the Hungarian original

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the Shareholders of Magyar Posta Zrt.

The accompanying summary financial statements, included as Annex 2 to this Annual Report, which comprise a summary balance sheet as at December 31, 2015, and the related profit and loss account for the year then ended, are derived from the audited financial statements prepared in accordance with Act C of 2000 on accounting („Accounting Act”) of Magyar Posta Zrt. for the year ended December 31, 2015. We expressed an unmodified audit opinion on those financial statements in our report dated April 18, 2016, approved on the General Meeting dated May 6, 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Accounting Act applied in the preparation of the audited financial statements of Magyar Posta Zrt. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Magyar Posta Zrt.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Hungarian National Standard on Auditing 810, “Engagements to Report on Summary Financial Statements.”

Opinion

In our opinion, the summary financial statements derived from the audited financial statements prepared in accordance with the Accounting Act of Magyar Posta Zrt. for the year ended December 31, 2015 are consistent with those financial statements.

Budapest, July 28, 2016.

The original Hungarian version has been signed.

Molnár Gábor

Deloitte Könyvvizsgáló és Tanácsadó Kft.
1068 Budapest Dózsa György út 84/C.
000083

Horváth Tamás

kamarai tag könyvvizsgáló
003449

Annex 2

FINANCIAL AND OPERATING PERFORMANCE

BALANCE SHEET

Assets		figures in HUF million	
	Item	31 December 2014	31 December 2015
A.	Investments (non-financial)	143,998	141,519
I.	INTANGIBLE ASSETS	9,390	9,283
	Capitalised value of start-up and restructuring	0	0
	Capitalised value of R&D	0	0
	Rights representing property	7,000	6,935
	Intellectual products	2,390	2,348
	Goodwill	0	0
	Prepayment on intangible assets	0	0
	Revaluation of intangible assets	0	0
II.	TANGIBLE ASSETS	87,835	89,802
	Land and related property-valued rights	38,225	37,834
	Technical equipment, machinery, vehicles	13,667	14,447
	Other equipment, accessories, vehicles	1,620	2,027
	Livestock	0	0
	Reconstruction in progress	4,019	3,083
	Prepayment on investments	1	1
	Revaluation of tangible assets	30,303	32,410
III.	FINANCIAL INVESTMENTS	46,773	42,434
	In associated undertakings	45,958	41,348
	Long-term loans to associated undertakings	0	310
	Other long-term shares	0	0
	Long-term loans to undertakings in other profit-sharing partnership	0	0
	Other long-term loans	815	776
	Securities embodying long-term credit partnership	0	0
	Revaluation of financial investments	0	0

B. Current assets	38,750	36,925
I. STOCKS (INVENTORY)	932	799
Raw materials	470	454
Unfinished goods and work-in-progress	0	0
Livestock	0	0
Finished goods	71	68
Goods	217	147
Advance payments on inventories	174	130
II. RECEIVABLES	14,452	16,683
Receivables from customers	10,144	11,539
Accounts owed by associated undertakings	1,102	1,428
Accounts owed by undertakings in other profit-sharing partnership	0	0
Bills of exchange receivable	0	0
Other debtors	3,206	3,716
III. SECURITIES	7,456	4,213
Share in associated undertakings	0	0
Other shares	206	206
Own shares	0	0
Securities for trade embodying credit partnership	7,250	4,007
IV. LIQUID ASSETS	15,910	15,230
Cash in hand, cheques	13,416	13,378
Bank deposits	2,494	1,852
C. Prepayments	1,295	1,362
Prepayments of income	361	282
Prepayments of costs and expenditures	934	1,080
Deferred expenditures	0	0
Total assets	184,043	179,806

Liabilities		figures in HUF million	
	Item	31 December 2014	31 December 2015
D.	Equity	79,107	84,546
I.	REGISTERED CAPITAL	14,138	14,138
	of which repurchased property share at face value	0	0
II.	REGISTERED UNPAID CAPITAL (-)	0	0
III.	CAPITAL RESERVE	4,941	4,941
IV.	PROFIT RESERVE	28,496	29,147
V.	TIED UP RESERVE	633	578
VI.	REVALUATION RESERVE	30,303	32,410
VII.	PROFIT OR LOSS FOR THE YEAR	596	3,332
E.	Provisions	18,234	17,333
	Provisions for expected liabilities	18,234	17,333
	Provisions for future costs	0	0
	Other provisions	0	0
F.	Credits (liabilities)	60,737	53,827
I.	SUBORDINATED LIABILITIES	0	0
	Subordinated liabilities against associated undertakings	0	0
	Subordinated liabilities against associated undertakings in other profit-sharing partnership	0	0
	Subordinated liabilities against other party	0	0
II.	LONG-TERM LIABILITIES	3,115	195
	Long-term loans	0	0
	Convertible bonds	0	0
	Debenture loans	0	0
	Investment and development credits	0	0
	Other long-term credits	2,819	0
	Long-term liabilities against associated undertakings	53	4
	Long-term liabilities against associated undertakings in other profit-sharing partnership	0	0
	Other long-term liabilities	243	191

III.	SHORT-TERM LIABILITIES	57,622	53,632
	Short-term loans	0	0
	of which convertible bonds	0	0
	Short-term credits	4,636	5,840
	Prepayments received from purchasers	806	756
	Trade creditors	11,376	8,490
	Bills of exchange payable	0	0
	Short-term liabilities against associated undertakings	3,666	8,323
	Short-term liabilities against associated undertakings in other profit-sharing partnership	0	0
	Other short-term liabilities	37,138	30,223
G.	Accruals and deferred income	25,965	24,100
	Accrual of income	391	549
	Accrual of costs and expenditures	23,756	19,627
	Deferred income	1,818	3,924
	Total equity and liabilities	184,043	179,806

PROFIT AND LOSS STATEMENT (total costs method)

figures in HUF million			
	Item	31 December 2014	31 December 2015
1	Net domestic sales	180,672	180,440
2	Net export sales	5,972	8,367
I.	Turnover (01+02)	186,644	188,807
3	Change in stocks produced ±	15	-3
4	Capitalised value of assets produced	278	314
II.	Own performance capitalised (±03+04)	293	311
III.	Other income	20,295	10,894
	of which reversed diminution in value	169	148
5	Cost of raw materials	8,660	7,695
6	Services used	34,554	36,295
7	Other services	474	842
8	Original value of goods sold	5,225	5,183
9	Value of services sold (brokerage)	275	304
IV.	Material-type expenditures (05+06+07+08+09)	49,188	50,319
10	Wage costs	74,284	74,248
11	Other personal type expenses	10,515	9,979
12	Wage contributions	23,040	22,783
V.	Staff costs (10+11+12)	107,839	107,010
VI.	Depreciation write-off	7,627	8,801
VII.	Other expenditures	45,931	30,851
	of which value loss	363	237
A.	OPERATING PROFIT (I±II+III-IV-V-VI-VII)	-3,353	3,031
13	Dividend and profit-sharing from investments	49	0
	of which from associated undertakings	0	0
14	Exchange rate profit on the sale of shares	0	224
	of which from associated undertakings	0	0

15	Interest and exchange rate profit on the sale of payment investments	12	39
	of which from associated undertakings	0	39
16	Other interest and similar income due	677	382
	of which from associated undertakings	10	154
17	Other income from payment transactions	2,261	227
VIII.	Income from financial transactions (13+14+15+16+17)	2,999	872
18	Exchange rate loss on sale of payment investments	0	0
	of which to associated undertakings	0	0
19	Interest and similar expenditures payable	165	375
	of which to associated undertakings	20	101
20	Value loss of shares, securities, bank deposits	341	-15
21	Other expenditures on payment transactions	391	242
IX.	Expenditures on payment transactions (18+19±20+21)	897	602
B.	PROFIT ON PAYMENT TRANSACTIONS (VIII-IX)	2,102	270
C.	PROFIT ON ORDINARY ACTIVITIES (±A±B)	-1,251	3,301
X.	Extraordinary income	7,224	682
XI.	Extraordinary expenditures	4,861	390
D.	EXTRAORDINARY PROFIT (X-XI)	2,363	292
E.	PROFIT BEFORE TAX (±C±D)	1,112	3,593
XII.	Taxation	516	261
F.	PROFIT AFTER TAX (±E-XII)	596	3,332
22	Use of profit reserve for dividend, profit-sharing	0	0
23	Dividend, profit-sharing approved	0	0

